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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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EXECUTIVE DIRECTOR
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January 19, 1993

Donna Searcy
Secretary
FCC
1919 M St. NW
Room 222
Washington, D.C. 20554

RE: Docket No. 92-259
Cable Comments: Broadcast Signal
Carriage Issues

Dear Ms. Searcy:

Attached please find an original and 14 copies of the comments of the Motion Picture Association of America in the above-referenced docket. Copies are included for the offices of each member of the Commission. If you have any questions, please let me know.

Sincerely,

w/enclosures

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**Before the
FEDERAL COMMUNICATIONS COMMISSION** FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY
Washington, D.C. 20554

In the Matter of)
)
Implementation of the Cable Television) MM Docket No. 92-259
Consumer Protection and Competition Act)
of 1992)
)
Broadcast Signal Carriage Issues)

TO: The Commission

REPLY COMMENTS OF THE MOTION PICTURE ASSOCIATION
OF AMERICA, INC.

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DATED: January 19, 1993

EXECUTIVE SUMMARY

The Motion Picture Association of America, Inc. ("MPAA") again urges the Commission to give effect to the plain meaning of Section 325(b)(6) of the Communications Act, as amended by the 1992 Cable Act, by recognizing the inviolability of any present or future contractual relationship between broadcaster and program supplier with respect to retransmission consent.

There is a palpable tension between retransmission consent and the compulsory copyright license. The Commission must attempt to reconcile these tensions in a way that optimally protects the interests of all affected parties.

To this end, the Commission should recognize that its past decisions have been fully consistent with the rights of broadcasters and program suppliers to negotiate with respect to retransmission consent, and that the concepts of those decisions were merely carried over into new Section 325(b).

Moreover, Congress has rationalized retransmission consent as a communications law requirement -- similar to syndicated exclusivity -- which determines what is permissible for a multichannel video programming distributor to retransmit. The compulsory license can be used to clear the copyright of programming that an eligible multichannel distributor is permitted to carry. But as with syndicated exclusivity, the broadcaster and program supplier are free to negotiate terms and conditions for the exercise of this communications law right.

The Commission should make no generalized findings about the intent of parties to video programming contracts with respect to retransmission consent, nor should it dictate the form or content of such agreements.

The definition of "multichannel video programming distributor" should be read expansively.

The Commission should declare the "content of the signal" requirements of Section 614(b)(3)(B) applicable to retransmission consent signals.

The must-carry/retransmission consent election period for local broadcast stations should coincide with the start dates of the cable copyright royalty accounting periods. The Commission should not undertake further consideration of possible copyright implications of this rulemaking.

The Commission should defer any action on the geographic limitations of its syndicated exclusivity rule, but should monitor the interplay of this rule with retransmission consent.

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TO: The Commission

REPLY COMMENTS OF THE MOTION PICTURE ASSOCIATION
OF AMERICA, INC.

The Motion Picture Association of America, Inc. ("MPAA") respectfully submits its reply to comments filed in response to the "Notice of Proposed Rulemaking" ("NPRM") (FCC 92-499) in the above-referenced proceeding.

I. The Inviolability of Contract

MPAA has urged the Commission to heed the statutory direction of Section 325(b)(6) which "clearly and unambiguously recognizes the absolute right of program suppliers and broadcasters to arrange their business relationships, insofar as [retransmission consent ("RTC")] is concerned, in any way they see fit, and requires that the intent of the parties to such agreement must prevail over any [retransmission] rights created in Section 325..." This point of view is strongly supported by, among others, Capital Cities/ABC,

Inc.: "the Act does not preclude stations from contracting with program suppliers with respect to their retransmission rights."¹

This interpretation is fully supported by legislative history which indicates that Section 325(b)(6) is intended neither to "abrogate [n]or alter existing program licensing agreements... or to limit the terms of existing or future licensing agreements." Indeed, as the chief sponsor of the retransmission consent amendment to S. 12 restated the matter, "this provision in no way limits the rights of program producers to control the use of their product."²

Nevertheless, the Commission has been inundated with advice, based on a variety of inconsistent readings of the 1992 Cable Act, that would have the Commission twist the statute so as to reduce or eliminate the ability of broadcasters and program suppliers to negotiate over retransmission consent rights. These varying rationales are plainly deficient because they refuse to concede the plain meaning of the statute. The only appropriate response is for the Commission to do what the statute requires: recognize the inviolability of any present or future contractual relationship between broadcaster and program supplier with respect to retransmission consent. See Comments of the U.S. Copyright Office at 14: "The Copyright Office is of the opinion that copyright owners may

¹ Capital Cities/ABC, Inc. at iv.

² Congressional Record, January 29, 1992, at S-561 [statement of Senator Inouye] (emphasis added).

continue to prohibit retransmission consent by broadcasters through contract, and that such contractual prohibition is not inconsistent with the right bestowed [on broadcasters] by section 325(b)(1)(A)."

a. Reconciling RTC and Compulsory Licensing

The palpable tension between retransmission consent and the compulsory copyright license are in evidence throughout the comments filed in this proceeding. MPAA repeatedly called this tension to the attention of the Congress during its deliberations on the 1992 Cable Act. Congress was aware of these problems, but created retransmission consent anyway. Until the courts have ruled on the validity of retransmission consent, or the Congress takes up the issue of compulsory licensing and considers its relationship to retransmission consent, the Commission must operate on the premise that these tensions should be reconciled in a way that optimally protects the interests of all affected parties.

In the interest of assisting the Commission to satisfy its statutory mandate, but without conceding the validity of retransmission consent, we offer the following explanation of the relative interests of the parties³:

The exercise of the retransmission consent right has long been the subject of contractual arrangements between broadcasters and

³ See generally U.S. Copyright Office at 13-14 (description of different relationships involving rights in broadcast signals and in programming).

program suppliers.⁴ The series of relationships surrounding retransmission of the broadcast signal and the programming it contains is as follows:

- o The relationship between broadcaster and multichannel video programming distributor ("multichannel distributor") extends only to the right to retransmit the "signal," except to the extent that the broadcaster is also a copyright owner, in which case it also has a "program supplier" relationship with the multichannel distributor (see below).
- o The relationship between program supplier and multichannel distributor extends to the copyrights in the programs contained in the signal, and this relationship is governed by either (i) compulsory copyright licensing or (ii) the free-market operation of the copyright laws. Retransmission consent does not directly affect this relationship.

⁴ We note a parallel here with the interplay of contracts and communications regulation in the syndicated exclusivity ("syndex") context. As the Commission found in its last syndex proceeding, broadcasters and program suppliers frequently negotiated provisions addressing syndex rights in their contracts, even during the period after the Commission had eliminated its earlier syndex rules (i.e., from 1981 until the adoption of the current rule). The parties did so, the Commission found, in anticipation that such legal rights might be established or modified, and the agency fashioned its regulations to preserve the sanctity of contract. Similarly, retransmission consent is often addressed, explicitly or implicitly, in existing contracts between broadcasters and program suppliers, and Congress plainly intends to protect their right to have done so and their ability to do so in the future.

- o The relationship between program supplier and broadcaster extends to (i) the license of the copyrighted program for over-the-air broadcast in a specific geographic area and (ii) any ancillary matters affecting the exercise or value of that program license, including the exercise of retransmission consent by the broadcaster and the terms and conditions thereof, which are of legitimate interest to the program supplier.

The broadcaster and program supplier have been and, under the statute, remain completely free to condition retransmission consent in any way they see fit, just as the broadcaster is completely free to grant or deny retransmission consent to any multichannel distributor, subject only to the provisions of the statute regarding existing exclusivity rules and contractual requirements. Whether and how the broadcaster may choose to exercise that right, and how the broadcaster may, through negotiations with a program supplier, seek to condition its exercise of the right, is of absolutely no concern to any multichannel video programming distributor, who is not a party in interest to such negotiations.

b. Interpretation of Section 325(b)(6)

Some parties urge the Commission to violate fundamental precepts of statutory construction by ignoring or explaining away the provisions of Section 325(b)(6) so as to destroy the sanctity of contract. The Commission must not succumb to such defective

interpretations. The statute "must be interpreted to give meaning and effect to every provision..."⁵ including the language that permits broadcasters and program suppliers to negotiate, as they always have, regarding retransmission consent. The Commission must "look first at the plain language of the statute..."⁶ Congress "explicitly declined... to regulate... the private right of contract" insofar as retransmission consent is concerned.⁷

c. Commission Precedent Under Section 325(a)

Some parties would have the Commission interpret its earlier rulings on retransmission consent under Section 325(a) of the Communications Act as precluding negotiations about retransmission rights between program suppliers and broadcasters.⁸ That reading

⁵ See National Basketball Association/National Hockey League at 13 (citations omitted).

⁶ Capital Cities/ABC, Inc. at 33.

⁷ Id. See also U.S. Copyright Office at 14-15: "The language [of Section 325(b)(6)] suggests that Congress did not intend for section 325(b)(1)(A) to supercede [sic] future and existing programming agreements, many of which contain retransmission consent prohibitions. Violation of such a prohibition by a broadcaster through exercise of its section 325(b)(1)(A) right would therefore seem a matter of contract, generally resolvable through the rules of contract law."

⁸ See, e.g., Comments of National Assn. of Broadcasters at 51-52.

fundamentally misconstrues the Commission's rulings. The Commission, while recognizing that Section 325(a) refers solely to stations' rights to give consent for retransmission, nonetheless upheld the right of suppliers to protect their programs by contract limitations.

From its earliest rulings on retransmission consent, the Commission found that stations' statutory retransmission right coexisted with private contractual rights between stations and program suppliers:

But today, the station whose signal is rebroadcast frequently does not own the property rights in the program. Indeed, none of the stations in a network may own the property rights in the program. Since Section 325(a) does not purport to alter or define the property rights in program material, in some cases the consent given under the section may be of little value as authority for the rebroadcast of a program because of the station's lack of right to give consent to a third party for use of someone else's property.

Report on Amendment of Rebroadcasting Rules, 1 R.R. 3:91:1131, 1134 (1952). Because Section 325(a) gave stations retransmission consent, the reference to "the station's lack of right to give consent" necessarily referred to contractual limitations found in the licensing agreements.

In Frontier Broadcasting Co. v. FCC, 412 F.2d 162 (D.C. Cir. 1969), the stations gave limited retransmission consent for use of local programming and withheld consent for network programming based on contractual restrictions imposed by the networks. Id. at 163. The Commission's original ruling that such limited consent satisfied Section 325(a) was reversed by the court, which held that

retransmission consent "was not given as to network programs by either the originating stations or the networks and, as such, [the retransmitter] is operating outside Section 325(a) of the Communications Act." Id. at 164 (emphasis in original)

The court recognized that stations do not have unlimited authority under Section 325(a) to grant retransmission rights, but, rather, are limited by contractual obligations imposed by suppliers: "Whether the denial [to grant retransmission consent] was in the first person or pursuant to contractual obligations with the 'originating programmers' (the networks) is of no consequence." Id. at 165. In other words, stations are bound to follow their contractual obligations in cases where they might wish to permit retransmission.

The Commission approved a station's recognition of contractual limitations on its ability to grant retransmission rights under Section 325(a) in Storm King T.V. Ass'n. Inc., 20 FCC 2d 348 (1969). The station's acknowledgement that its consent was not permission to use programs owned by others was accepted as appropriate: "[The station] has merely recognized that it cannot give consent for the rebroadcast of programs in which others may have property rights and it seeks release from legal liability for the use of such programs." Id. at 349. The Commission also imposed a burden on program suppliers to object to the use of their programs in cases where a station has given retransmission consent

Some parties to the instant proceeding have cited Monroe County, 72 FCC 2d 683, 689 (1979), as authority for foreclosing negotiations between broadcaster and program supplier on retransmission consent. But the issue of whether stations and program suppliers can negotiate concerning retransmission rights was not before the Commission in Monroe County.

The challenging party in Monroe County contended that retransmission consent must be granted by both the station and each program supplier whose program(s) appeared. 72 FCC 2d at 689. That restriction would have required the retransmitter to go separately to program suppliers to receive their permission for retransmission. Such a reading, the Commission found, "would effectively read into [Section 325(a)] a requirement not imposed by Congress." Id. The Commission refused to impose such a requirement.⁹ The Commission did not forbid licensing agreements from requiring the stations to deny retransmission consent for programming without the station's first obtaining authority from the supplier. Nor did the Commission overrule its earlier decisions in which retransmission rights were found to be a proper subject for negotiations between stations and program suppliers.

In sum, past Commission decisions have recognized that stations and program suppliers may negotiate retransmission rights and that stations must recognize those negotiated rights in

⁹ On appeal, the court refused to address retransmission consent "because this issue is not ripe for judicial review." Tele-Media Corp. v. FCC, 697 F.2d 402, 414 (D.C. Cir. 1983).

exercising the authority granted to them under Section 325(a). Those concepts were carried over into new Section 326(b)(6), which expressly states that nothing in the 1992 Act shall affect "existing or future video programming licensing agreements between broadcasting stations and video programmers."

d. Agency Interference with Contracts

The Commission is urged by some parties to undercut freedom of contract by declaring retransmission consent "inalienable and exclusive to the [broadcast] licensee,"¹⁰ or by "declar[ing]... unenforceable" provisions in current or future video programming contracts pertaining to retransmission consent.¹¹ It would be difficult to imagine a more egregious affront to Congressional intent than to follow the course recommended by those parties.

The simple fact is that broadcasters and program suppliers have freely contracted over retransmission consent for years, and the contractual provisions submitted for the record by Tribune suggest the wide diversity of approaches to this issue by contracting parties. Far from being "boilerplate" recitations, these contractual provisions reflect the intent of the parties to order their relationships in diverse ways responsive to their

¹⁰ INTV at 18.

¹¹ Tribune Broadcasting Co., passim..

respective needs. It is this sanctity of contract with which Congress has expressly declined to interfere. Any suggestion that the Commission should act contrary to this statutory command must be rejected.

Some parties insist that permitting freedom of contract could have the effect of "modify[ing]" the compulsory copyright license contrary to the intent of Congress as expressed in the first proviso of Section 325(b)(6). We submit that because the broadcaster can grant or deny retransmission consent for any reason whatsoever, the mere fact that such grant or denial may be premised on an underlying video programming agreement is irrelevant.

Of course, if retransmission consent is denied to an multichannel distributor eligible for a compulsory copyright license, the multichannel distributor cannot exercise the license to retransmit the copyrighted programming contained in the signal. If the broadcaster grants retransmission consent to a multichannel distributor eligible for a compulsory license, that multichannel distributor can retransmit the copyrighted programming therein subject to the terms and conditions of that license (i.e., the operation of the license for program clearances is not "modified"). If the broadcaster grants retransmission consent to an multichannel distributor that is not eligible for a compulsory copyright license, that multichannel distributor must still clear the copyright in the programming contained therein through marketplace means.

Communications law requirements (including restrictions based on negotiated video programming agreements) that may have the effect of limiting the quantity of programming subject to compulsory licensing are not new. The Commission's syndicated exclusivity ("syndex") rules are one example. Insofar as a broadcaster (or, in some cases, a program supplier) may invoke its contractually-conditioned syndex rights against signal carriage by a cable operator, the operator is not permitted (as a matter of communications law) to retransmit the copyrighted program. Absent that restriction, however, the operator could retransmit the program and "clear" the copyright through the compulsory license mechanism.

In the instant case, it appears that Congress intends for the interplay between communications and contract law and copyright law to operate in a similar fashion. The communications law protection of retransmission consent, which is subject to underlying contractual agreements between broadcaster and program supplier, may result in a cable operator not being permitted to retransmit some portion of a broadcast signal. Absent that restriction, however (i.e., if the broadcaster elects must-carry or grants retransmission consent), the cable operator can "clear" the copyright for the program in question through compulsory licensing.

Further to this point, consider the situation where the broadcaster is also the copyright owner. Obviously, where the broadcaster denies retransmission consent to a multichannel distributor, it also denies the multichannel distributor the right

to retransmit the copyrighted program under compulsory licensing or marketplace negotiation. This no more constitutes a "modification" of the compulsory license than does the broadcaster's decision to deny retransmission consent in a copyrighted program that it merely licenses and does not own. Were the Commission to interpret the statute otherwise, the entire concept of retransmission consent would be vitiated.

In sum, Congress has rationalized retransmission consent as a communications law requirement -- similar to syndicated exclusivity -- which determines what is permissible for a multichannel distributor to retransmit. The compulsory license (for eligible multichannel distributors) can be used to clear the copyright of programming that the multichannel distributor is permitted to carry. But as with syndicated exclusivity, the broadcaster and program supplier are free to negotiate terms and conditions for the exercise of this communications law right.

e. Interpretation of Contracts

We again urge the Commission to avoid any attempt to make any generalized finding or interpretation about the intent of the parties to video programming contracts with respect to retransmission consent. The Commission should not attempt to dictate, as a matter of law, the form or content of agreements regarding retransmission consent. Any question over the intent of

the contracting parties is properly the province of the courts, not the Commission.

II. "Multichannel Video Programming Distributors"

MPAA supports an expansive reading of the definition of "multichannel video programming distributor" for the purposes of determining which entities must obtain retransmission consent from broadcasters. In general, commenters support such an expansive reading. In specific, representatives of satellite master antenna television¹² and the home satellite dish industry¹³ do not dispute their obligation to obtain retransmission consent for broadcast

¹² See Comments of National Private Cable Assn. et al. at 3-6. We note that Spectradyme, which contracts with "hotels, hospitals and multiple-resident structures" to provide video distribution services, urges the Commission to exempt it from retransmission consent requirements for local broadcast signals. Spectradyme concedes that it "might fairly be found to be a 'multichannel video programming distributor'..." and that its offerings, which include superstation signals, "are usually received and delivered via a typical SMATV system." Spectradyme largely bases its argument on the inconvenience that company claims it would face in obtaining retransmission consent for each of the institutions it serves. These arguments are irrelevant and unpersuasive and should be ignored; Spectradyme and any like multichannel video programming distributor whose "customer" happens to be an institutional user such as a hotel, hospital or the like, should be required to obtain retransmission consent for all broadcast signals it provides.

¹³ See Comments of Satellite Broadcasting Communications Assn. (SBCA).

signals.¹⁴

Representatives of the home satellite dish industry, citing the highly decentralized nature of their consumer distribution apparatus, recommend that the Commission place the requirement to obtain retransmission consent on "the satellite carrier... who uplinks the signal."¹⁵ MPAA would not object to placing the legal requirement on the satellite carrier in the interest of efficiency. However, such requirement would have to be mandatory and not permissive; a satellite carrier should not be permitted to pass the buck to HSD distributors. The obligation to enforce any terms or conditions on retransmission consent (e.g., where the grant of consent may be for a limited geographic area), and the liability for failure to do so, must rest with the satellite carrier.

¹⁴ The suggestion by some distributors (such as Spectradyn and PrimeTime 24) that retransmission consent requirements should be curtailed because of federal policies to (i) promote public access to broadcast signals or (ii) promote greater competitive entry to cable by favoring new entrants miss a central point: in granting broadcast stations retransmission consent, the Congress was fully cognizant that the end result could be the denial of access to certain broadcast signals to certain consumers of certain multichannel video programming distributors. Otherwise, as noted above, the broadcaster's right to withhold consent would have no meaning. Congress has seen fit to create this right in broadcasters and to place only limit exceptions to that right in the law, while granting the Commission no authority to create further exceptions. The Commission must not exceed its authority and distort Congressional intent by attempting to create additional exceptions.

¹⁵ Comments of SBCA at 3.

III. Content to be Carried

MPAA urged the Commission to make clear that the requirement of Section 614(b)(3)(B), that "the entirety of the program schedule of any television station carried on [a] cable system" applies to every signal, whether a station has elected must-carry or retransmission consent, and whether a signal is local or distant, subject only to the Commission's program exclusivity rules and underlying consensual requirements in programming contracts.

There is strong support for such a finding.¹⁶ Those who urge the Commission to permit cable operators and broadcasters to negotiate for "cherry-picking," or to permit cable operators to exercise their own discretion in "cherry-picking" the signal of an RTC station, fail to explain away the unambiguous requirements of Section 614(b)(3)(B).

The Commission should declare Section 614(b)(3)(B) applicable to retransmission consent signals as described in MPAA's initial comments at pages 6-7.

¹⁶ "The intent of Congress was that the public interest requires that cable operators should not have the statutory right to 'pick and choose' among the program offerings... under... retransmission consent." CBS at 14. "Congress could not have been more unambiguous -- 'cherry-picking' of all broadcast signals by cable systems is prohibited." NAB at 48. See also NBA/NHL at 12-13.

IV. Copyright Considerations

We note substantial support among commenters for our position that the must-carry/retransmission consent election period for local broadcast stations should coincide with the start dates of the cable royalty accounting periods.¹⁷

In our initial comments, we strongly discouraged the Commission from venturing into its own analysis of the implications of retransmission consent for the operations of the compulsory copyright license. We cite with approval CBS' request that the Commission "not... complicate this proceeding unnecessarily by inviting debate on the cable compulsory license" because, as CBS notes, "Congress will turn its attention in the near future to copyright law reform issues."¹⁸ Congress, not the Commission, will provide the appropriate forum for thrashing out the relationship between retransmission consent and the compulsory license.

We also note that the U.S. Copyright Office in its comments discusses at length why the Commission should not consider possible copyright implications of any rule change the Commission might make.¹⁹ The Office's comments outline several unresolved issues related to the Commission's update of Section 76.51. The Office

¹⁷ See, e.g., U.S. Copyright Office at 10-11; NAB at 45-46.

¹⁸ CBS at 11.

¹⁹ U.S. Copyright Office at 2-6.

indicated that it cannot be assumed that copyright policy under 17 U.S.C. Section 111 would follow the Commission's decision. Finally, the Office makes clear that it "will be forced to resolve the possible copyright implications once the Commission completes its task."²⁰ Thus, there is no reason for the Commission to venture into copyright issues as part of its decision-making process in the instant proceeding.

V. The Section 76.51 List and Syndicated Exclusivity

In the Notice of Proposed Rulemaking, the Commission makes an oblique reference to the relationship between proposed changes in its Section 76.51 market list and its program exclusivity rules whose coverage areas are based on that list.

We share the National Association of Broadcasters' ("NAB") concern that "it is unclear whether Gen. Docket 87-24 is being reopened only insofar as it related to updating section 76.51, or whether the Commission now intends to revisit modification of all of its program exclusivity rules as well."²¹ We strongly support NAB's counsel "against considering revisions to the geographic

²⁰ U.S. Copyright Office at 6.

²¹ NAB at 19.

limitations of the program exclusivity rules in either proceeding at this time" for the reasons cited by NAB.²²

The Commission has simply not given adequate notice of whether and how it would propose to change the program exclusivity rules, and should take no further action along those lines at this time. The Commission should defer any consideration of how the changes in the Section 76.51 markets list will affect the geographic scope of syndex protection, and should make no change in the application of syndex to RTC signals. Rather, the Commission should monitor the interplay of its new RTC and must-carry rules with the syndex rules, and should address any specific questions or problems as and when they may arise.

²² NAB at 20.

VI. Conclusion

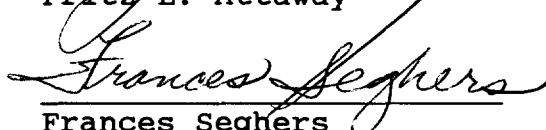
MPAA continues to harbor serious concerns about the implications of retransmission consent for the sanctity of contract between broadcasters and program suppliers. In order to avoid further unnecessary harm to the interests of program suppliers, the Commission should adopt the regulations and policy positions set forth in MPAA's initial comments and these replies.

Respectfully submitted,

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